

STATE OF CALIFORNIA
DEPARTMENT OF MANAGED HEALTH CARE

PUBLIC MEETING ON THE ACQUISITION
OF MAGELLAN HEALTH, INC.
BY CENTENE CORPORATION

ONLINE/TELECONFERENCE MEETING
HOSTED BY THE
DEPARTMENT OF MANAGED HEALTH CARE
SACRAMENTO, CALIFORNIA

WEDNESDAY, OCTOBER 27, 2021
1:30 P.M.

Reported by: John Cota

ALL AMERICAN REPORTING, INC.
(916) 362-2345

APPEARANCESDMHC STAFF

Mary Watanabe, Director

Amanda Levy, Deputy Director, Health Policy & Stakeholder Relations

Anna Green, Attorney, Office of Plan Licensing

OTHER SPEAKERS

Sarah London
Centene Corporation

Kenneth Fasola
Magellan Health, Inc.

Janice Rocco
California Medical Association

Diana Douglas
Health Access California

Linda Nguy
Western Center on Law & Poverty

INDEX

	<u>Page</u>
1. Welcome & Introductions	4
2. Director's Remarks	5
3. DMHC's Jurisdiction and Authority	9
4. Remarks from Centene Corporation	13
5. Remarks from Magellan Health, Inc.	23
6. Public Comment	
Janice Rocco	28
Diana Douglas	31
Linda Nguy	34
7. Closing Remarks	36
Certificate of Reporter	38

1 California Department of Managed Health Care protects consumers' health care
2 rights and ensures a stable health care delivery system.

3 With that I would like to hand it over to the Director of our
4 Department, Mary Watanabe.

5 MS. WATANABE: Thank you, Amanda. Good afternoon and
6 thank you to everyone out there virtually, who I can't see, for joining us for
7 today's public meeting. As Amanda said, I am Mary Watanabe, the Director of
8 the California Department of Managed Health Care.

9 Any sale or purchase of a licensed health plan requires approval by
10 the DMHC. This proposed transaction includes two DMHC licensed plans, you
11 will hear a lot more about this later in our agenda, but it involves Human Affairs
12 International of California and Magellan Health Services of California, Inc. -
13 Employer Services.

14 The DMHC is committed to transparency and stakeholder
15 engagement and has held meetings in the past on health plan mergers.
16 However, this is the first merger under review by the DMHC to meet the major
17 transaction requirements since the law changed in 2019. As required by Article
18 10.2 of the Knox-Keene Act, the Department is holding this public meeting to
19 inform the public of the proposed merger and to hear public comments. In
20 addition, the Department is required to obtain an independent analysis on the
21 impact of a transaction may have on California enrollees and the stability of the
22 state's health care delivery system. We are taking the independent analysis
23 under consideration as we review the merger. Hopefully you had a chance to
24 read and review the report in advance of this meeting but you can view the report
25 on our public website at healthhelp.ca.gov under What's New or on our Merger

1 web page.

2 There will be an opportunity for public comment during the meeting
3 and written comments may be submitted to the Department by mail or email
4 through November 3rd and Amanda will provide more information about that as
5 we get to the public comment portion of this meeting.

6 As the largest regulator of health plans in California the DMHC's
7 primary focus is to ensure compliance with the strong consumer protections and
8 financial solvency requirements in the law.

9 We examine proposed mergers to ensure that enrollees of all
10 licensed plans involved in a transaction have continued access to appropriate
11 health care services.

12 We will hear more detail about the transaction and our review in a
13 moment but some of the things we will be considering is the impact of the
14 transaction on each organization and their administrative capacity. How the
15 proposed transaction will impact the health care delivery system such as
16 changes to a health plan's networks and product or subscriber contract changes.
17 We also review the potential impact of the transaction on premiums, the financial
18 viability of the plan and the financing for the transaction.

19 This transaction is of particular significance at this time because it
20 involves the acquisition of a behavioral health plan. The isolation, job losses,
21 school closures, the loss of a sense of normalcy caused by the COVID-19
22 pandemic have really had a significant impact on mental health and has led to an
23 increased demand for behavioral health services. Of particular concern is the
24 impact of the pandemic on our children and youth. The state of California is
25 making significant investments to improve outcomes and increase access to

1 behavioral health services and the health plans play a critical role in ensuring
2 timely access to medically necessary behavioral health care. One of the things
3 we will be considering during our review is how this proposed transaction could
4 improve access to behavioral health services for California enrollees.

5 I want to thank Sarah London, Vice Chairman on the Board of
6 Directors for Centene and Kenneth Fasola, Chief Operating Officer of Magellan,
7 for participating in today's meeting. I appreciate your willingness to be here
8 today to publicly share information on the proposed transaction.

9 I would also like to thank Amanda Levy for her assistance
10 facilitating today's meeting and Anna Green, an attorney in our Office of Plan
11 Licensing who will be providing an overview of this transaction and our review
12 process in just a minute.

13 There is a tremendous amount of work that goes into reviewing
14 these transactions and preparing for the public meeting. I also want to
15 acknowledge the numerous other DMHC staff that have been involved in the
16 review of this transaction over the last nine to ten months. And for all of those
17 you can't see who are working behind the scenes to help coordinate the logistics
18 to pull this meeting off virtually.

19 I also wanted to let you know that consumer advocates
20 organizations and individuals may submit a Petition to Participate in a
21 Proceeding for the Department's Consumer Participation Program. The Petition
22 to Participate must be submitted no later than ten business days after the date of
23 the Department's order on the material modification concerning the acquisition of
24 Magellan by Centene, which is basically within ten days after we make our
25 decision. The topic of the proceeding is the material modification concerning the

1 acquisition of Magellan by Centene. For more information about this program
2 you can visit our website, again, at healthhelp.ca.gov and look for the Consumer
3 Participation Program web page.

4 Once again I want to thank the representatives from both health
5 plans for being here today and for all of you for attending and your interest in this
6 transaction. I look forward to hearing the comments from the plans and input
7 from the public.

8 And with that I will turn it over to Anna Green.

9 MS. GREEN: Hi, good afternoon. My name is Anna Green, I am
10 an attorney in the Office of Plan Licensing. I will be going over the Department's
11 jurisdiction and authority in relation to this transaction. Next slide please.

12 So I will start with an overview of the transaction then talk about the
13 Department's review process. In the proposed transaction Centene Corporation
14 will become the owner of Magellan Health, Inc.; and as a result, the owner of two
15 DMHC-licensed health plans, Human Affairs International of California and
16 Magellan Health Services of California, Inc. - Employer Services. Next slide,
17 please.

18 Centene is a Fortune 500 company headquartered in St. Louis,
19 Missouri. Centene sells health care insurance plans and related services
20 nationally and is considered the largest provider of government-sponsored health
21 plans in the United States. Next slide please.

22 Centene currently owns seven DMHC-licensed health plans.
23 California Health and Wellness Plan is a full-service Medi-Cal plan with
24 approximately 215,000 enrollees, Envolve Vision, Inc. is a specialized vision plan
25 with approximately 2.1 million enrollees, Health Net Community Solutions, Inc. is

1 a full-service Medi-Cal plan with approximately 1.8 million enrollees, and Health
2 Net of California, Inc. is a full-service commercial plan with approximately
3 600,000 enrollees. Next slide please.

4 Managed Health Network is a behavioral health plan and employee
5 assistance program plan with approximately 620,000 enrollees, WellCare of
6 California, Inc. is a Medicare Advantage plan with approximately 67,000
7 enrollees, and WellCare Prescription is a specialized pharmacy health plan
8 offering stand-alone Medicare Part D prescription drug plans with approximately
9 3.7 million enrollees. Next slide.

10 As previously mentioned, Centene's proposed acquisition of
11 Magellan Health, Inc. would result in the acquisition of two additional California
12 licensed health plans. Those are Human Affairs International of California and
13 Magellan Health Services of California, Inc. - Employer Services. Next slide.

14 Human Affairs International of California is a California corporation
15 licensed by the DMHC in 1989. The plan is licensed to offer behavioral health
16 and employee assistance programs and currently has approximately 2.7 million
17 enrollees.

18 Magellan Health Services of California - Employer Services is a
19 California corporation licensed by the DMHC in 1987. The plan is licensed to
20 offer employee assistance programs and currently has approximately 1.3 million
21 enrollees.

22 This organization chart gives a high-level overview of the
23 relationships between the entities after the change of control. As mentioned
24 before, Magellan Health, Inc. will become wholly owned by Centene Corporation.
25 The blue boxes are the California licensed plans. Next slide please.

1 I touched on who the parties to the transaction are and the general
2 form of the transaction. Now I will give an overview of the Office of Plan
3 Licensing review process.

4 On January 12, 2021, HAI and MHSC each submitted a Notice of
5 Material Modification filing, numbers 20210178 and 20210179, seeking
6 Department approval. The Department conducted analysis of this transaction as
7 required by section 1399.65 of the Knox-Keene Act and the Director determined
8 this is a major transaction pursuant to subdivision (g)(1) of that section.

9 As a result of that determination the Department obtained an
10 independent analysis required by the Knox-Keene Act. The independent
11 analysis evaluated the impact of the transaction on subscribers and enrollees,
12 the stability of the health care delivery system and an assessment of whether
13 this transaction would substantially lessen competition in health care plan
14 products or create a monopoly in California. In addition, we are here today at
15 our public meeting and the Department will be accepting public comments at the
16 conclusion of the presentations. Next slide.

17 In addition to the Department's review under Section 1399.65 of
18 the Knox-Keene Act, the Office of Plan Licensing's review of these filings
19 includes looking at possible changes to: the plans' organizational and corporate
20 structures, the plans' administrative capacity, how the plans deliver services to
21 enrollees, how the plans contract with other entities including other plans and
22 providers, potential impacts to premiums and the financial viability of the plan,
23 and other potential impacts to plans' enrollees.

24 In addition to review by the Department's licensing office, the
25 Department's Office of Financial Review also reviews the transaction. This

1 review includes analyzing the financial projections from the plans and the impact
2 the transaction may have on the health plans financial health, their administrative
3 capacity and structure and on enrollees assigned to the plans.

4 With that I thank you and I will turn it back over to Amanda.

5 MS. LEVY: Thank you, Anna.

6 We can move to the next slide. We will now hear remarks from
7 Sarah London, Vice Chairman with the Board of Directors for Centene
8 Corporation. We will be queuing her up so it might take a couple, maybe a
9 minute, maybe less. Great. Again, we will hear from Sarah London from
10 Centene Corporation. Please proceed.

11 MS. LONDON: Great. Thank you. Good afternoon, and thank you
12 to the Department of Managed Health Care for hosting this public meeting. My
13 name is Sarah London. I am the Vice Chairman of the Centene Board of
14 Directors and a member of the Centene senior management team with
15 responsibility over a number of areas including Advanced Technology and
16 Centene's Health Care Enterprises, which we refer to informally as HCE. HCE is
17 a business unit within Centene that provides a range of services to internal and
18 external customers through a portfolio of companies. HCE's capabilities today
19 include, among others, data analytics, case management solutions, in-home
20 primary care, and direct primary care delivery. And while our service offerings
21 are varied, the goal across HCE is the same, which is to empower more people
22 to take control of their health.

23 As you know, I am here today to speak with you about Centene's
24 proposed combination with Magellan. The combination will broaden and deepen
25 Centene's whole-health capabilities and establish a leading behavioral health

1 platform. This platform will serve as the foundation for us to continue to invest
2 and innovate for our members, enabling improved health outcomes and faster
3 diversified growth.

4 Through the combination Magellan will join Centene by becoming
5 part of Health Care Enterprises, bringing with it Magellan's unique expertise in
6 managing the most complex areas of health. And together we believe the
7 combined organization will be able to better serve our members, furthering our
8 shared commitment to member-centric care for the most vulnerable populations.

9 I very much appreciate this opportunity to speak with you today
10 about the proposed combination of Centene and Magellan and just a few of the
11 ways in which we believe this combination will bring about benefits for our
12 members, both within the state of California and nationally.

13 Before discussing the transaction in detail I'd like to provide you
14 with a snapshot of Centene, our business and our mission. Centene is a
15 national health care organization that is committed to helping people live
16 healthier lives. We provide access to high quality health care, innovative
17 programs and a wide range of health solutions that help families and individuals
18 get well, stay well and be well.

19 Centene is financially strong. At the end of 2020 our insurers and
20 HMOs had net admitted assets of approximately \$33.7 billion and a total surplus
21 of approximately \$14.2 billion. Additionally, as of the end of 2020, Centene and
22 its subsidiaries had consolidated total assets of approximately \$68.7 billion and
23 consolidated total stockholders' equity of approximately \$25.9 billion on a GAAP
24 basis.

25 At Centene we recognize that every individual, family and

1 community we serve is unique. Our local approach enables us to provide
2 accessible, high-quality, culturally sensitive services to more than 25 million
3 members in all 50 states.

4 Here in California you may know us as Health Net, which provides
5 health insurance for individuals, families and businesses, both in the commercial
6 market and through government-sponsored programs.

7 We also operate through California Health and Wellness plan, a
8 Medi-Cal plan; Managed Health Network, a behavioral health plan; WellCare of
9 California, a Medicare Advantage plan; Health Net Community Solutions, Inc., a
10 health plan that contracts with both Medicare and Medi-Cal to provide benefits of
11 both programs' enrollees; WellCare Prescription Insurance, Inc., a Medicare Part
12 D plan; and Envolve Vision, Inc., an administrator of customizable vision plans.

13 I would like to now provide you with a bit of background regarding
14 how and why our proposed combination with Magellan came about.

15 Prior to announcing our transaction with Magellan, Centene had
16 known Magellan for some time. In fact, we have been a Magellan customer for
17 decades. As Kenneth Fasola, CEO of Magellan, will describe in more detail in
18 just a few minutes, Magellan is recognized as a leader in managing the fastest
19 growing, most complex areas of health, with extensive experience in managing
20 care for persons suffering from acute and chronic behavioral health conditions.
21 In Magellan we see an opportunity to better support these populations; and as a
22 combined organization we believe we will be able to offer behavioral health
23 services for all of our combined 41 million members.

24 As you know, behavioral health is one of the most underserved
25 needs in the population today. Perhaps at no other time in our history has our

1 commitment to behavioral health been more important. Several studies have
2 shown the prevalence of mental health disorders such as anxiety and depression
3 is even greater as a result of the COVID-19 pandemic, some are even calling it
4 the second pandemic. The CDC recently reported that 31% of US adults
5 reported symptoms of anxiety or depression and 26% reported stress related
6 symptoms, nearly double the rates expected before the COVID-19 pandemic.

7 Evidence shows that behavioral health challenges can also drive
8 substance misuse, which can further exacerbate those challenges and impact a
9 person's overall health. Amid the COVID-19 pandemic, substance use for those
10 with substance use disorder increased by 20%, along with a surge in first-time
11 diagnoses of substance use disorders.

12 Through a combination with Magellan we seek to further our
13 commitment to treating the whole health of our members. As expressed by our
14 CEO and Chairman Michael Neidorff, there is a critical need for a fundamentally
15 better approach to supporting people with complex chronic conditions through
16 better integration of physical and mental health care. This has become even
17 more evident in light of the pandemic, which has driven a dramatic rise in
18 behavioral health needs. Together with Magellan we believe that the combined
19 organization has the potential to build one of the nation's largest behavioral
20 health platforms, with the capacity to deliver improved health outcomes through
21 the better integration of behavioral health capabilities and physical health
22 services.

23 With that context I would like to take a minute to briefly review the
24 business terms of the transaction, provide additional detail regarding how the
25 combined company will be organized and provide an update on our work to date

1 in securing state and federal regulatory approvals.

2 Under the terms of the transaction, each of the Magellan
3 companies will become an indirect, wholly-owned subsidiary of Centene.
4 Michael Neidorff, Centene CEO, will remain the CEO of the combined entity. As
5 previously mentioned, Magellan will become part of our specialty care business
6 and will be integrated within Health Care Enterprises, retaining its operational
7 independence. Ken Fasola, CEO of Magellan, whom you will be hearing from
8 shortly, will continue to lead Magellan, the Magellan business, after the
9 completion of the transaction.

10 Regarding how Magellan will fit into Centene's HCE: As I
11 previously mentioned, HCE is managed as a separate portfolio of companies
12 distinct from the rest of Centene. Among the reasons for this portfolio approach
13 are to preserve the operating autonomy of each entity within HCE and to provide
14 enough latitude to the management teams of the respective portfolio companies
15 so they will be excited to stay with Centene and to grow and strengthen their
16 businesses. (Coughed.) Excuse me.

17 This autonomy is also important to HCE's customers, which include
18 both Centene and third-parties. For HCE to be successful we believe it will be
19 necessary for us to drive third-party customer growth, and to foster that growth
20 we know that it is essential to take HCE's independence seriously. To this end
21 we recently established a board of directors for HCE. These directors have
22 responsibility to govern the ongoing operating autonomy of the HCE portfolio
23 companies and ensure that Centene creates no competitive disadvantage for the
24 HCE entities as a result of our ownership.

25 With respect to the regulatory approval process I am pleased to

1 report, as previously announced, that the proposed transaction has cleared
2 antitrust review with the Department of Justice under the Hart-Scott-Rodino Act.
3 Additionally, we have received all required approvals from the State Departments
4 of Insurance necessary to consummate the transaction. Should the transaction
5 be approved by the Department, we are poised to -- poised to close as soon as
6 possible in 2021, enabling our members to begin experiencing the benefits of the
7 combination.

8 I have spoken a lot today about Centene, Magellan and our
9 respective capabilities. I'd like to take just a few moments to review the benefits
10 that we believe we can realize through the proposed transaction.

11 To begin, we expect we will be able to leverage our scale and
12 capabilities to create a robust, next-generation platform for behavioral health,
13 aligned with our technology strategy to build best-in-class solutions for our
14 members in a rapidly evolving landscape.

15 Specifically as a result of the transaction, we expect to enhance the
16 value we create for both our members and state partners by strengthening our
17 offering through the integration of mental and physical health care, enhancing
18 our ability to deliver better health outcomes at lower total costs, improving our
19 ability to support specialty care services, and expanding our footprint with the
20 addition of a comprehensive network of medical and behavioral health
21 professionals, clinics, hospitals, skilled nursing facilities, home care agencies
22 and ancillary service providers.

23 While these goals have national reach they are equally applicable
24 in California. Through the combination with Magellan we will add the impressive
25 behavioral health capabilities offered by Human Affairs International of California

1 or HAI. As part of the HCE portfolio of companies, HAI will maintain the
2 independence necessary to ensure continued service to its third-party
3 customers, while accelerating the introduction of innovative solutions and re-
4 imagining behavioral health.

5 In addition to HAI we will also add the employee assistance plan or
6 EAP capabilities of Magellan Health Services of California, Inc. - Employer
7 Services, or MHCS.

8 Combining the Centene and Magellan EAP products is likely to
9 result in substantial benefits, including with respect to Centene EAP members,
10 through the addition of Magellan's sophisticated clinical expertise and access to
11 digital tools. And similarly with respect to Magellan's EAP members, through
12 Centene's organizational development and training services.

13 While both companies offer 24/7 clinical support as well as on-site
14 and telephonic counseling and therapy, Magellan has a more robust behavioral
15 health and premium work life service capability than what Centene currently
16 provides such as adoption assistance, programs for working mothers,
17 comprehensive senior care management, assistance concierge management
18 and an employee discount center.

19 Magellan has also developed optimized online platforms to access
20 such tools remotely, which has proven to be essential for employers and
21 employees during ongoing public health crises such as the COVID-19 pandemic.

22 Conversely, as mentioned a moment ago, Centene has distinct
23 organizational development and training services that Magellan's customers will
24 benefit from, such as facilitated group processing, work place safety and
25 compliance training, labor consultations and job performance referrals.

1 In combination the distinct, organizational offerings of Centene and
2 the comprehensive clinical behavioral health options with virtual access from
3 Magellan could create an integrated experience that would substantially improve
4 EAP offerings to customers of both Centene and Magellan and we are excited to
5 make this possible for members.

6 In closing I want to again thank the Department of Managed Health
7 Care for the opportunity to speak with you today about Centene's combination
8 with Magellan. We are committed to providing the highest quality care and value
9 for the members that Magellan is currently serving and also continuing to provide
10 this high quality care and value to the existing Centene members. We strongly
11 believe that the proposed transaction will enhance the health care market in
12 California by providing more consumers with access to higher quality, more
13 affordable behavioral and specialty health products and services. We will do this
14 through building upon our current HCE platform to provide an environment in
15 which Magellan can flourish.

16 I'd like to now turn the virtual mic over to Ken Fasola, CEO of
17 Magellan, to share with you Magellan's perspective on how a combination with
18 Centene will enable our combined organization to provide innovative behavioral
19 health and other solutions in this time of acute need. Thank you.

20 MS. LEVY: Thank you, Ms. London.

21 We will now move to the next slide and we will welcome Kenneth
22 Fasola, Chief Operating Officer of Magellan Health, Inc., to give remarks.

23 MR. FASOLA: Thank you, Amanda.

24 MS. LEVY: Wonderful, please proceed.

25 MR. FASOLA: Great. Thank you, Sarah, and Department of

1 Managed Health Care for hosting today's meeting.

2 Hello and good afternoon. My name is Ken Fasola, I am the CEO
3 of Magellan. Magellan manages the fastest growing, most complex area of
4 health care, bringing solutions to health plans, employers and state and federal
5 programs. I am pleased to speak with you today about some of the good work
6 that Magellan is doing in these areas and about how our proposed combination
7 with Centene is poised to bring about enhanced innovation and improved health
8 outcomes for our combined membership.

9 I would like to keep this brief and focus my remarks today on two
10 primary products that subsidiaries of Magellan offer in California under the
11 oversight of the Department. The first is full-service behavioral health through
12 which we contract with health plans to provide behavioral health networks and
13 services to their members; and the second is employee assistance programs, or
14 EAP, which comprise a diverse range of services geared towards helping
15 employees and their families build thriving lives, resilient minds and healthy
16 bodies.

17 Beginning with our full-service behavioral health offerings: As
18 Sarah touched upon, the need for integrated behavioral health care in America
19 has perhaps never been greater. The fast pace of our lives today combined with
20 a 24/7 news cycle, a global pandemic, civic and political unrest, has many in our
21 society experiencing increased levels of anxiety and stress.

22 At Magellan we recognize that behavioral health is an important
23 indicator of a society's overall well-being as it interacts closely with physical
24 health. Unfortunately, most individuals don't receive the behavioral health
25 treatment they need. Fear of treatment, shame and embarrassment keep many

1 from seeking care. Additionally, more than one-third of Americans live in areas
2 lacking mental health professionals and 50% of individuals who receive a
3 behavioral health referral don't follow through or only have one visit. Magellan's
4 mission is to help individuals lead healthy lives and vibrant lives. Our whole-
5 health approach to behavioral health care allows us to do precisely that,
6 improving member health care outcomes and reducing health care costs.

7 As I described a moment ago, in California Magellan contracts with
8 third-party health plans to act as the behavioral health insurer for members. By
9 joining Centene under the Health Care Enterprises or HCE umbrella, we will
10 maintain the independence necessary to serve third-party health plan customers
11 while accelerating the introduction of innovative solutions to help re-imagine
12 behavioral health. In this regard, through a partnership with Centene we see
13 tremendous potential to further our core mission of enabling healthy, vibrant
14 lives.

15 I would now like to discuss Magellan's employee assistance
16 program or EAP offerings. Through EAP we support leaders, managers and
17 employees with confidential services for everyday challenges, unusual situations
18 and developing societal trends. Our EAP offerings for employers and
19 organizations include work place support consultants, who provide guidance and
20 resources to thousands of leaders each year to improve their individual
21 performance and team dynamics, top-tier education and training services,
22 including over 60 courses developed by our in-house team with 16 new webinars
23 added every year. Critical incident response or expert support staff for their work
24 place and when it's disrupted by a traumatic event, and engagement and
25 destigmatization, which comprises a variety of communication and ongoing

1 campaigns.

2 From the employee perspective, we offer 24/7 support through
3 access to Magellan clinicians, lifestyle coaching, counseling through both in-
4 person and virtual therapy sessions, AI-driven programs which provide tools for
5 building resiliency, managing stress, improving mood and sleeping better, and
6 life enrichment services including financial consultation, fraud protection, legal
7 services, elder care and discount programs.

8 Magellan is pleased to provide these services throughout the state
9 of California. Through a combination with Centene we will work to leverage the
10 best features of our respective EAP offerings to bring about improved, tailored
11 options for our employer-customers and their employees.

12 In closing, I would like to again thank the Department providing --
13 for providing this forum to speak with you about how a combined Magellan and
14 Centene is poised to bring about many benefits for our members. I look forward
15 to continuing to lead Magellan as we join Centene's Health Care Enterprises and
16 to utilizing this platform to create exciting new opportunities for the people we
17 serve. Together with Centene we plan to build a best-in-class platform that
18 meets our members needs today and into the future; and I am excited about all
19 of the positive developments that are certain to come.

20 We at Magellan are grateful to our customers and members and
21 look forward to a continued opportunity to serve these constituents in California
22 from within our new home at Centene's HCE. Thank you for this opportunity and
23 your time.

24 MS. LEVY: Thank you, Mr. Fasola. We appreciate your comments
25 today and you being here. Next slide.

1 So we will now move to the public comment portion of the meeting.
2 To make a public comment please use the Raise Hand function on Zoom and
3 you will be called on in the order in which we receive the raised hand. If you are
4 on the phone please dial *9. Before you begin your statement please state your
5 name and organization for the record. I will be calling on individuals and then
6 you will be unmuted by our administrative team.

7 We will take about one minute to get organized and see how many
8 folks are in the queue.

9 Before we move to public comment I also wanted to remind
10 everyone on the Zoom that we will be accepting public comment, written public
11 comment, until 5:00 p.m. on November 3rd, 2021. Just email those to
12 publiccomments@dmhc.ca.gov.

13 Okay, we will move now to Attendees who have raised their hand
14 and we will start with Janice Rocco.

15 MS. ROCCO: Hi, this is Janice Rocco with the California Medical
16 Association, I am the Vice President of Health Care Access and Coverage. And
17 on behalf of our almost 50,000 physician and medical student members we are
18 here to express some concerns about the proposed acquisition of Magellan
19 Health by Centene.

20 As was mentioned, this proposed merger is a major transaction
21 with a base purchase price of \$2.2 billion. And Centene has been going through
22 acquisitions of other health care companies for many years, including the
23 acquisition of Health Net in 2016, for which this Department approved the
24 transaction.

25 The California Medical Association has long been concerned with

1 the consolidation of health plans and health insurers that is reducing competition
2 in the health insurance market and increasing the cost of health care. As health
3 plans and insurers continue to merge, not only with one another but with other
4 entities that create horizontal consolidation concerns, as well as with the other
5 entities vertical integration concerns. Those both have the potential to impact
6 quality, access and affordability.

7 CMA urges DMHC to carefully consider whether to require
8 divestiture of certain assets and require other agreements, often referred to as
9 undertakings, before the merger is approved. As you know, both Centene and
10 Magellan operate in some of the same health care sectors such as behavioral
11 health, which there's been a lot of discussion of today, pharmacy benefit
12 manager services, specialty pharmacy services and employee assistance
13 programs that also provide behavioral health care.

14 The independent analysis makes some recommendations related
15 to divestitures where there's overlapping business that causes competitive
16 concerns. For example, the proposed acquisition of Magellan is likely to
17 substantially lessen competition for EAP services that employers buy for their
18 employees to provide mental health care, particularly at a time like this during the
19 pandemic. CMA agrees with this recommendation that either Centene or
20 Magellan be required to divest its EAP business.

21 An additional concern that the independent analysis cited, that
22 there are multiple parties that expressed concern that Magellan's behavioral
23 health network is critical to their continued ability to provide access to care for
24 their enrollees. The Department should consider requiring agreements from
25 Centene and Magellan in this area to ensure that Californians, particularly those

1 in rural areas where access is already a problem, don't face additional barriers to
2 accessing mental health care.

3 It was noted that Magellan may have an incentive to charge higher
4 prices for the pharmacy benefit manager services, behavioral health and
5 specialty pharmacy services to Centene's competitors, in that independent
6 analysis. Undertakings to mitigate those risks should be considered as well.

7 The independent analysis focuses on anti-competitive concerns.
8 When looking at a national player in the health insurance space it also makes
9 sense to look at practices in other states that could be of concern were they to
10 be replicated in California. From news accounts we can see that Centene
11 recently settled lawsuits in Ohio and Mississippi where the allegations were that
12 the company overcharged the state's Medicaid programs for pharmacy services.
13 They agreed to pay Ohio and Mississippi 88.3 million and 55.5 million
14 respectively.

15 And after Centene acquired Health Net the California Department
16 of Insurance received hundreds of complaints from residential treatment centers
17 pertaining to Health Net's handling of claims for substance use disorder
18 treatment by Health Net policyholders; the Department alleged violations of the
19 Mental Health Parity Act and the Unfair Claims Practices Act.

20 So when looking at areas where there have been problems in the
21 past and then mitigating through undertakings against occurrences in those
22 areas or reoccurrences of those issues that we have seen in California, that
23 should be a priority when reviewing the proposed merger. We thank you for your
24 consideration of these recommendations and look forward to continuing to work
25 with you on these issues.

1 MS. WATANABE: Thank you, Janice.

2 MS. LEVY: Thank you. We will now move to Diana Douglas.

3 MS. DOUGLAS: Thank you. Good afternoon, Diana Douglas with
4 Health Access California, the statewide consumer advocacy coalition. As the
5 sponsors of AB 595, the 2018 legislation that clarified DMHC's statutory authority
6 to deny, approve or conditionally approve transactions involving health plans,
7 Health Access is eager to provide comments regarding the Centene-Magellan
8 acquisition. This transaction in particular will set precedent for the handling and
9 public process of future transactions.

10 Firstly, that we are pleased with the independent analysis and
11 especially with the early timing to allow stakeholders more than 10 days to
12 review materials. There are a number of omissions from the analysis we would
13 like to note. We urge the Department to withhold approval of the transaction
14 until the following omissions are rectified through updated information and
15 analysis:

16 First, the analysis failed to project growth and demand for
17 behavioral health services resulting from recent legislation.

18 Second, there was a failure to analyze Medi-Cal Managed Care
19 impacts on a county level basis despite readily available information at the
20 county level.

21 Third, the analysis failed to determine whether EAPs are bundled
22 with or tied to the marketing offer or sale of full-service health plans including
23 Centene or others.

24 And finally, there should be imposed an additional condition that
25 Centene invest in non-physician behavioral health work force development.

1 Furthermore, today we have heard several assertions about how
2 things will improve for consumers if this merger is approved. Health Access asks
3 that if the Department chooses to approve this transaction, the Department
4 impose enforceable conditions on the transaction to assure that consumers get
5 any improvements that were promised.

6 Additionally, we would like to highlight several recommendations of
7 the analysis that health access supports:

8 We support the divestment of Centene or Magellan EAP business
9 in California.

10 We support prohibition on contractual arrangements with
11 behavioral health providers that restrict them from contracting with any other
12 purchasers.

13 We support firewalls to restrict access to competitively sensitive
14 information.

15 And finally, we support the two years continuity of care and
16 associated consumer protections with improvements that go beyond existing law.

17 Today's public meeting as well as the independent analysis have
18 been very helpful to our thinking and as we finalize our written comments we
19 might have additional conditions to suggest. We do hope the Department will set
20 precedent for the integrity of the oversight process by withholding approval until
21 all the gaps in the analysis noted here are clarified with additional information.

22 Thank you very much for taking our comment today.

23 MS. WATANABE: Thank you, Diana.

24 MS. LEVY: Thank you and we'll move to Linda Nguy.

25 And I will just note before we start, that is the last raised hand we

1 have so if you would like to present public comment at this time please raise your
2 hand and we will call on you after we hear from Linda.

3 (Pause.)

4 MS. LEVY: Are we able to unmute the line?

5 MS. NGUY: Sorry about that. Can you hear me okay?

6 MS. LEVY: Yes we can, please proceed.

7 MS. NGUY: Great. Again, Linda Nguy with Western Center on
8 Law and Poverty, a statewide advocacy organization serving low-income
9 Californians. We appreciate the opportunity to share our comments and we will
10 also provide this in writing.

11 We appreciate the early release of the independent analysis but
12 note a number of considerations that is missing from the analysis and urge the
13 following be addressed before moving forward:

14 Firstly, although the analysis recognizes there are behavioral health
15 work force shortages, it fails to consider existing unmet demand or project
16 growth and demand for behavioral health services. Recent Medi-Cal data
17 demonstrates gaps between Medi-Cal enrollees with mental health service
18 needs and service utilization, with disparities exacerbated across different racial
19 and ethnic groups, so would recommend that an analysis of existing unmet
20 behavioral health service demands and projected demand growths be included.

21 Secondly, although the analysis recognizes access to a network of
22 behavioral health -- to behavioral health care providers is very local, it doesn't
23 now analyze impacts on a county or a regional basis and so we recommend that
24 there be some analysis, particularly on the Medi-Cal managed care side as we
25 know that data does exist.

1 And to mitigate any potential harm to consumers, including some of
2 those mentioned by CMA, we recommend the following community investments:

3 Firstly, a grant program to support locally based community
4 assistance programs and investments in behavioral health work force,
5 particularly in underserved areas.

6 And finally, we do support the prohibition on contractual
7 arrangements with behavioral health providers that restrict them from contracting
8 with other purchasers, but would also request that the merger demonstrate
9 improved access to behavioral health providers through improved behavioral
10 health provider network.

11 We have a few other thoughts but we'll, we'll include those in our
12 written comments. Thank you.

13 MS. WATANABE: Thank you, Linda.

14 MS. LEVY: Again, if you would like to make a public comment as
15 part of this hearing please use the Raise Hand function. If you are on the phone
16 please dial *9 and we will be able to take your comment at this time. We will give
17 it about one minute just in case somebody needs to still get into the queue.

18 (Pause.)

19 MS. LEVY: Seeing that we don't have any I would like to thank
20 everyone who gave public comment today.

21 I have another reminder that we will be taking public comment in
22 written form until 5:00 p.m. on November 3rd; and then I will move to Director
23 Watanabe to offer closing remarks.

24 MS. WATANABE: Thank you, Amanda, and thank you to all those
25 that gave public comment.

1 I will just reiterate that we take all of the input that we receive very
2 seriously and we will be considering that as we make our decision about this
3 transaction.

4 If you are not on our ListServ I would encourage you to do so
5 because you will get an announcement as we make decisions. You can do that
6 by visiting our website. There is a little box that says "Keep In Touch" and you
7 can put your email address in there and you will be notified of any decisions.

8 I will just remind you about our Consumer Participation Program.
9 For those that are interested in applying for an advocacy award regarding this
10 transaction we have the link here as well as in the PowerPoint that is posted on
11 our website for our Consumer Participation Program.

12 With that I will just maybe pause and see if there's any last minute
13 public comments. We'll give you one last chance to raise your hand or press *9.

14 I don't think we are likely to get anybody, any future comments, but
15 I would just again reiterate my thanks for the quite a few people that have
16 participated and listening to this, this public meeting and we thank you for your
17 participation.

18 I don't see any public comments so with that I think we'll go ahead
19 and wrap things up. Thank you again and have a good rest of your day, that
20 concludes our meeting.

21 (The public meeting concluded at 2:19 p.m.)

22 --o0o--

23

24

25 .

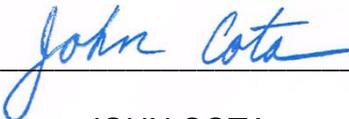
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE OF REPORTER

I, JOHN COTA, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Department of Managed Health Care public meeting and that it was thereafter transcribed.

I further certify that I am not of counsel or attorney for any of the parties to said public meeting, or in any way interested in the outcome of said matter.

IN WITNESS WHEREOF, I have hereunto set my hand this 1st day of November, 2021.



JOHN COTA

CERTIFICATE OF TRANSCRIBER

I, RAMONA COTA, a Certified Electronic Reporter and Transcriber, certify that the foregoing is a correct transcript, to the best of my ability, from the electronic recording of the proceedings in the above-entitled matter.


_____ November 2, 2021

RAMONA COTA, CERT**478